

PROPERTY ASSESSMENT APPEAL BOARD
FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

PAAB Docket No. 2019-057-00396R

Parcel No. 10301-27001-00000

David Sheets,

Appellant,

vs.

Linn County Board of Review,

Appellee.

Introduction

The appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on December 4, 2019. David Sheets was self-represented. Linn County Chief Deputy Assessor Tami McFarland represented the Board of Review.

David and Sara Sheets own a residential property located at 4065 Brookside Drive, Marion, Iowa. Its January 1, 2019, assessment was set at \$357,300, allocated as \$67,000 in land value and \$290,300 in dwelling value. (Ex. A).

Sheets petitioned the Board of Review contending that the assessment was not equitable as compared with assessments of other like property and the property was assessed for more than the value authorized by law. Iowa Code § 441.37(1)(a)(1 & 2) (2019). The Board of Review denied the petition.

Sheets then appealed to PAAB re-asserting the same claims.

General Principles of Assessment Law

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A. PAAB is an agency and the provisions of the Administrative Procedure Act apply. § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). PAAB may

consider any grounds under Iowa Code section 441.37(1)(a) properly raised by the appellant following the provisions of section 441.37A(1)(b) and Iowa Admin. Code R. 701-126.2(2-4). New or additional evidence may be introduced. *Id.* PAAB considers the record as a whole and all of the evidence regardless of who introduced it.

§ 441.37A(3)(a); *see also Hy-vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption the assessed value is correct, but the taxpayer has the burden of proof. §§ 441.21(3); 441.37A(3)(a). The burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Compiano v. Bd. of Review of Polk Cnty.*, 771 N.W.2d 392, 396 (Iowa 2009) (citation omitted).

Findings of Fact

The subject property is a two-story home built in 1991. It has 2782 square feet of gross living area, 485 square feet of living-quarter-quality basement finish, a three-season porch, an open porch, and a three-car attached garage. The improvements are listed in normal condition with a 2-10 Grade (high quality). The site is 1.25 acres. (Ex. A).

The Sheetsses purchased the subject property in 2015 for \$318,000. David Sheets explained the subject property was on the market 317 days when he bought it, and the sellers had moved out approximately a year prior. He paid \$32,000 less than its list price. Sheets testified at that time the property's assessment was \$317,500. (Ex. A, p. 4). He further noted the assessment increased in 2018 to \$330,700 after they built a three-season room.

Sheets asserts his property has many drawbacks that would affect its re-sale. (Ex. 2a). He testified his home's exterior style is dated; noting it has dated siding and a dated color. Additionally, the interior of the subject property has an outdated floor plan that does not conform to the open concept currently preferred in the market.

Sheets also believes his location abutting a condominium development affects his ability to sell the home. He testified he and his wife were unaware of the future condominium development when they purchased the subject property. Sheets did not

submit any evidence of how his location to this new development affects the market value of his home but testified he had previously analyzed sales of properties near condominiums and found they do not appreciate in value. He completed the analysis approximately one-and-one-half years ago and did not think the dated data would be relevant for this appeal. Moreover, he believes the other evidence he has submitted is sufficient to support his claims.

Given these issues, Sheets does not believe he could sell the subject property today for its 2019 assessed value.

Sheets submitted three properties to the Board of Review in support of his equity claim. (Exs, C & F). The following table summarizes those equity comparables.

Address	Site Size (Acres)	Gross Living Area (SF)	Basement Finish	Assessed Land Value	Assessed Dwelling Value	Total Assessed Value
Subject, Marion	1.25	2782	485	\$67,000	\$290,300	\$357,300
1 - 5722 Hunt Ridge Dr, Cedar Rapids	1.11	2689	905	\$50,600	\$288,000	\$338,600
2 - 107 Oak Ridge Dr SE, Mount Vernon	1.16	2760	No Finish/WO	\$68,800	\$261,900	\$330,700
3 - 1530 Brett St, Cedar Rapids	1.18	3098	No Finish	\$50,900	\$270,400	\$321,300

All three properties were built between 1990 and 1993.

Comparables 1 and 3 are located in Cedar Rapids and Comparable 2 is located in Mount Vernon; all are in different map areas than the subject, which may explain differences in the site values despite having generally similar sized sites.

Comparable 1 has the most similar improvements as the subject property with some basement finish; it also has the most similar assessed dwelling value. It sold in August 2017 for \$335,000.

Comparable 2 lacks basement finish, which results in a lower assessed dwelling value compared to the subject. It has not recently sold.

Comparable 3 also has no basement finish, and a correlating lower assessed dwelling value. It sold in March 2019 for \$335,000 compared to its 2019 assessed value of \$321,300.

The record does not include the grade or condition rating of the comparable properties. If the quality and condition ratings are different than the subject property this would also explain some differences in the assessed dwelling values.

The Board of Review submitted three 2018 sales in Linn County it believes are the most comparable to the subject property. (Exs. H-G). The following table summarizes the comparable sales.

Address	Gross Living Area (SF)	Basement Finish (SF)	Total Assessed Value	Sale Price	AV/SP Ratio	Adjusted Sale Price
Subject	2782	485	\$357,300			
A - 4043 Bruce Rd	2805	645	\$343,100	\$345,000	0.99	\$358,600
B - 7205 Bettsy Ct	2542	1010	\$352,400	\$360,000	0.98	\$387,600
C - 501 Scobey Rd	2852	1080	\$358,800	\$379,000	0.95	\$383,400

All of the sales are similar size two-story homes built between 1990 and 1993 and on sites ranging in size from 1.00 to 1.56 acres. (Exs. G01-G04). They are all located in Marion like the subject property.

Because these properties sold in 2018, an assessment-to-sale-price ratio can be developed. Here, the ratio range of 0.95 to 0.99 suggests comparable properties are assessed at or slightly below their actual market value.

The Board of Review also adjusted the sale price of each comparable for differences between them and the subject property to arrive at an adjusted range of value between \$358,600 and \$387,600 for the subject property. (Ex. G05). The subject's assessment of \$357,300 is less than the adjusted range of value and less than two of the unadjusted sale prices.

In response to the Board of Review's comparable sales, Sheets testified he conducted an additional search of 2018 sales of two-story homes built between 1990 and 1993 on sites between 0.92 acres to 1.6 acres. (Ex. 3). The search resulted in five additional sales. Sheets discarded one sale located at 1161 Abbe Creek Road because it reflected a sale price of \$0. Chief Deputy Assessor Tami McFarland testified for the Board of Review and confirmed the sale was abnormal.

The remaining sales Sheets found are summarized in the following table.

Address	Gross Living Area (SF)	Total Assessed Value	Sale Price	AV/SP Ratio
Subject	2782	\$357,300		
D - 5832 Wells Ln, Cedar Rapids	2116	\$287,100	\$310,500	0.92
E - 9624 Deer Ridge Dr, Cedar Rapids	2393	\$315,300	\$335,000	0.94
F - 2961 S Park Ridge Rd, Marion	2400	\$312,000	\$335,000	0.93
G - 7477 Macon Dr, Cedar Rapids	3289	\$380,100	\$357,000	1.06

These additional sales are similar in style and year built but all are roughly 400 square feet larger or smaller than his property, and we cannot determine whether the sales have similar basement finish to his property. Additionally, the subject has a three-season porch and it is unknown if these properties have that amenity. There is no other information about these properties in the record. Only one property is located in Marion like the subject.

McFarland testified the sale prices per square foot of Sales A through G ranged from \$108.54 to \$146.74. We note Sale G sets the low end of this range, and it is the largest property. When gross living area increases, it is typical for the price per square foot to decrease. Removing this sale, the range tightens from \$125.80 to \$146.74. The subject's assessed value per square foot of \$128.43 is at the low end of this range, which McFarland asserts demonstrates it is assessed at market value. Sheets was critical of this analysis, contending buyers do not purchase residential property based on a per-square-foot basis.

The assessed-value-to-sales-price ratio of these properties is 0.92 to 1.06, again suggesting that the majority of similar properties are assessed for less than their actual market values. Sheets did not adjust the sales for differences to arrive at an opinion of value for the subject property as of January 1, 2019.

Sheets analyzed Sales A through G by comparing their average assessed value of \$335,543 to the average sale price of \$345,929. Based on this analysis, he argues properties like his are clearly assessed "for \$10,000 less than the average sale price." (Ex. 3). Sheets asserts the correct January 1, 2019, assessed value of his property should be \$335,543, which is the average assessed value of Sales A through G.

McFarland testified about the process that occurred in the 2019 assessment, including an equalization analysis indicating properties in the subject's area were under assessed. As a result of the equalization analysis, to be in conformance with Department of Revenue guidelines, assessments in the subject's area were increased. Sheets understood the explanation of the process but asserted it does not result in a fair and reasonable market value for his property.

As an example, he testified about the sale of a property located at 4000 Brookside Drive that was purchased for \$280,000 at the same time he bought his home in 2015. It was subsequently gutted and the owners put \$100,000 in it before re-selling for \$380,000. Because of this sale, and a few others, he believes his property's assessment has been unfairly increased.

In conclusion, Sheets asserted that considering inflation, his \$318,000 purchase price would reflect a current value for his home of \$343,000; and he could not sell his home for its current assessed value. He does not believe he could sell it today for more than \$330,000. In his opinion, \$335,543 is the most reasonable and fair conclusion of the January 1, 2019 value because it is based on "a sales comparison," which is preferred by Iowa law.

Analysis & Conclusions of Law

Sheets contends the subject property is inequitably assessed and over assessed as provided under Iowa Code section 441.37(1)(a)(1 & 2). Sheets bears the burden of proof. § 441.21(3).

To prove inequity, a taxpayer may show an assessor did not apply an assessing method uniformly to similarly situated or comparable properties. *Eagle Food Centers v. Bd. of Review of the City of Davenport*, 497 N.W.2d 860, 865 (Iowa 1993). Here, we find Sheets failed to demonstrate the Assessor applied an assessing method in a non-uniform manner.

Alternatively, a taxpayer may show the property is assessed higher proportionately than other like properties using criteria set forth in *Maxwell v. Shivers*, 133 N.W.2d 709, 711 (Iowa 1965). The *Maxwell* test provides inequity exists when, after

considering the actual (2018) and assessed (2019) values of similar properties, the subject property is assessed at a higher proportion of its actual value. *Id.* The record includes seven 2018 sales of two-story homes like the subject property, which indicate an assessed-value-to-sales-price ratio between 0.92 to 1.06, with an average of 0.97 and a median of 0.95. This data indicates the assessed values of similar properties, on average, are currently assessed for 3% less than actual market value. Although Sheets has provided sales ratios for comparable properties, the *Maxwell* test also requires a showing of the subject property's actual market value as compared to its current assessment. Sheets' over assessment claim requires the same showing, and we therefore, turn to that claim.

In an appeal alleging the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(2), the taxpayer must show: 1) the assessment is excessive and 2) the subject property's correct value. *Soifer v. Floyd Cnty. Bd. of Review*, 759 N.W.2d 775, 780 (Iowa 2009) (citation omitted). Sales prices of the property or comparable properties in normal transactions are to be considered in arriving at market value. § 441.21(1)(b). Sale prices of property in abnormal transactions not reflecting market value shall not be taken into account or shall be adjusted to account for market distortion. *Id.*

Sheets did not provide any evidence of the property's value through comparable sales adjusted for differences, an appraisal, or a Comparable Market Analysis, which is typical evidence to support a claim of over assessment. Rather Sheets asserted the January 1, 2019, assessment should be \$335,543 based on the average assessed value of the 2018 two-story sales in the record.¹ However, it is insufficient to simply compare the subject property's assessed value to the assessments of other properties. We note of the sales in the record, only three sold less than the value Sheets' requests. All three of those properties are smaller than the subject.

¹ Sheets asserts a sales comparison approach requires more than five sales comparables based on a statement in the IOWA REAL PROPERTY APPRAISAL MANUAL. (Ex. 3). We note Iowa Code section 441.21(1) includes no such requirement and Iowa Courts have found sales comparison approaches limited to less than five comparable sales to be persuasive evidence of value. *Milroy v. Bd. of Review of Benton Cnty.*, 226 N.W.2d 814 (Iowa 1975).

The Board of Review adjusted three of the most similar 2018 sales in the record for differences between them and the subject property. All three sales have adjusted values greater than the subject's assessed value, indicating it is not over assessed. Ultimately, we find the Board of Review's evidence more persuasive than Sheets' average assessed value calculation. Not only is his approach inconsistent with section 441.21(1), but his calculation is based on properties with differences compared to the subject, for which his analysis fails to account.

Viewing the record as a whole, we find Sheets has failed to support his claims.

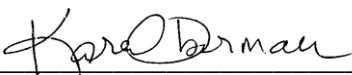
Order

PAAB HEREBY AFFIRMS the Linn County Board of Review's action.

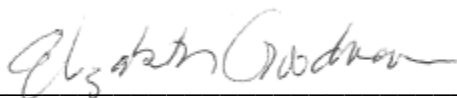
This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A.

Any application for reconsideration or rehearing shall be filed with PAAB within 20 days of the date of this Order and comply with the requirements of PAAB administrative rules. Such application will stay the period for filing a judicial review action.

Any judicial action challenging this Order shall be filed in the district court where the property is located within 30 days of the date of this Order and comply with the requirements of Iowa Code section 441.37B and Chapter 17A (2019).



Karen Oberman, Board Member



Elizabeth Goodman, Board Member



Dennis Loll, Board Member

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David Sheets by eFile

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